AR17

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(Unaudited, $000's omitted)

	For six months ended June 30	
	1972	1971
Source of Funds		
Earnings for the period - -	$19,160	$16,046
Depreciation - - - - - - -	9,745	8,970
Deferred income taxes - - -	5,455	3,218
Debentures issued ($30,000 U.S.) - - - - -	29,522	—
Other transactions - - - - -	1,817	315
	$65,699	$28,549
Application of Funds		
Dividends paid - - - - - -	$11,727	$10,688
Capital expenditures - - -	24,995	19,859
Long term debt reductions -	5,528	13,717
	$42,250	$44,264
Change in Working Capital -	$23,449	$(15,715)
Working Capital—January 1-	$ (818)	$31,848
Working Capital—June 30 -	$22,631	$16,133

Deliveries (barrels per day):

	1972	1971
First Quarter - - - -	1,116,033	988,235
Second Quarter - - -	1,014,416	897,840
Third Quarter - - - -	—	993,929
Fourth Quarter - - -	—	1,028,767

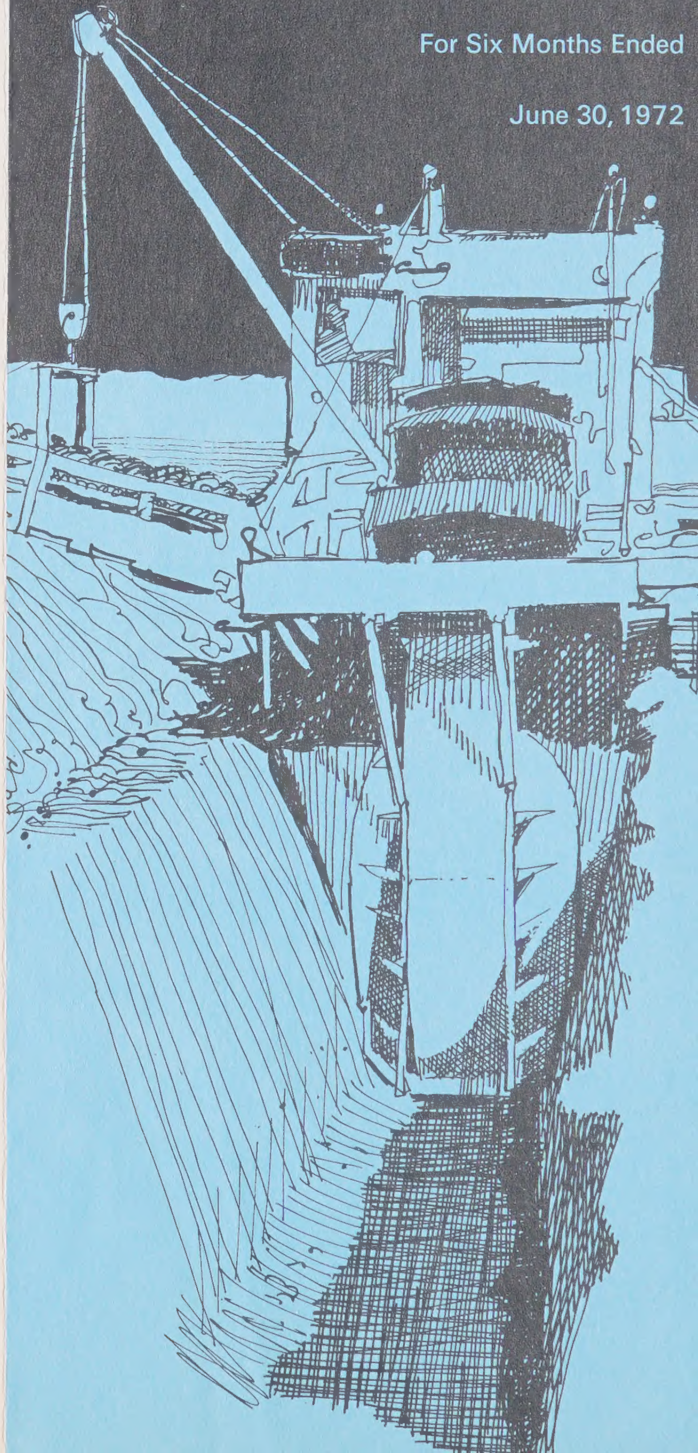
PRINTED IN CANADA

INTERPROVINCIAL PIPE LINE COMPANY

Quarterly Report

For Six Months Ended

June 30, 1972



Interprovincial Pipe Line Company

and subsidiary companies

REPORT FOR SIX MONTHS ENDED JUNE 30, 1972

TO THE SHAREHOLDERS:

Throughput

As in past years, the demand for refinery feedstocks was not as great in the second quarter of 1972 as it was in the first three months of the year. Throughput during the second quarter was nevertheless 116,600 barrels per day higher than in the corresponding period in 1971. As a result, total deliveries of crude oil, refined products, and natural gas liquids during the first half of 1972 were 13% higher than in 1971 as follows:

DELIVERIES (barrels per day)	First six months	
	1972	1971
Western Canada -	106,599	105,461
United States - -	558,257	445,360
Ontario - - - - -	400,369	391,967
	1,065,225	942,788
BARREL MILES (millions) - -	272,615	235,049

Construction

The 1972 expansion program is proceeding on schedule and it is now anticipated that the final cost will be comfortably within the original cost estimate. The largest project is, of course, the 124 miles of 48-inch loops that are being constructed between Edmonton and Superior, Wisconsin. This work is well underway and valuable experience is being gained handling large diameter pipe.

As previously announced, this looping program, together with the twenty-three 5,000 horsepower electric pumping units that are being installed in this section of the system, will increase the capacity of the pipe line system out of Cromer, Manitoba by 127,000 b/d to 1,435,000 b/d.

Six 2,500 horsepower electric pumping units are also being added on the southern line between Superior and Sarnia and the capacity of the 12-inch line from Westover, Ontario to Buffalo is being further increased by the installation of an additional 18 miles of 20-inch loops. Eight storage and breakout tanks, with a total capacity of 2,154,000 barrels, are also being erected at four locations.

Financing

To provide funds for the United States portion of the current expansion program, on June 15, Lakehead Pipe Line Company, Inc. issued $30 million (U.S.) 7.60% 25-year Sinking Fund Debentures, Series C, at par. The balance of the money required for this year's expansion program will be from funds generated from operations and if necessary utilizing Canadian bank lines of credit.

Dividend

On July 26 a quarterly dividend of 23¢ per share was declared payable September 1 to shareholders of record August 8, 1972.

Toronto, Ontario
August 4, 1972

D. G. WALDON
President

CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited, $000's omitted)

	For six months ended June 30	
	1972	1971
INCOME		
Transportation revenue - -	$79,012	$69,419
Other income - - - - - -	833	1,733
	$79,845	$71,152
EXPENSES		
Operating and administrative	$16,724	$14,158
Property and other taxes - -	5,400	4,940
Depreciation - - - - - - -	9,745	8,970
Interest - - - - - - - - -	9,470	9,808
	$41,339	$37,876
Earnings before income taxes	$38,506	$33,276
Provision for income taxes -	19,346	17,230
Earnings for the period - -	$19,160	$16,046
Earnings per share - - - -	75¢	63¢

FEB. 1972

PERSPEC

DOMINICK CORPORATION OF CANADA LIMITED

MEMBERS : TORONTO, MONTREAL AND CANADIAN STOCK EXCHANGES

EST. DC 1929

RESEARCH

INTERPROVINCIAL PIPE LINE COMPANY

DOMINICK CORPORATION OF CANADA LIMITED

MEMBERS

The Toronto Stock Exchange
Montreal Stock Exchange
Canadian Stock Exchange

HEAD OFFICE:

TORONTO:
P.O. Box 272,
Toronto-Dominion Centre
Toronto 111, Ontario
(416) 363-0204
Telex: 0229848

BRANCHES:

MONTREAL:
1 Place Ville Marie,
Montreal 113, Quebec
(514) 866-9821

VANCOUVER:
1710 One Bentall Centre
Vancouver 1, B.C.
(604) 684-2311

AFFILIATE:

NEW YORK
Dominick & Dominick Inc.
14 Wall Street
New York, N.Y. 10005,
(212) 227-4600

Members all major U.S. Exchanges

EUROPEAN OFFICES:

DOMINICK & DOMINICK INC.

LONDON:
32 Lombard Street,
London E. C. 3,
England
Telex: 883506
885473

BASLE:
Freie Strasse - 109
Basle,
Switzerland
Telex: 63211

LAUSANNE:
Rue St. Martin 7
1003 Lausanne
Switzerland
Telex: 25175

FRANKFURT:
21 Goethestrasse
Frankfurt am Main 6
West Germany
Telex: 414099

INTERPROVINCIAL PIPELINE COMPANY

DOMINIK CORPORATION of CANADA LIMITED
J. G. Williamson
February, 1972

TABLE OF CONTENTS

demand arises and/or is justified by a significant increase in Canada's crude oil reserves. In our opinion these factors should substantially benefit Interprovincial by way of revenues and earnings.

We estimate earnings should rise to $1.75 per share in 1973, up 25% from 1971's reported level of $1.40 per share. Beyond 1973 the growth prospects remain highly favourable particularly as we expect the U.S. crude oil import quotas to be removed by 1974 at the latest. We strongly recommend purchase of the shares of Interprovincial Pipeline by investors seeking capital appreciation over both the short and long term.

The share purchase warrants are recommended for the more aggressive investor not unduly concerned with income. At current levels they offer attractive leverage of 2.1:1 and command a very modest 1% premium. Considering the quality of Interprovincial's management and the Company's bright prospects, a higher premium is justifiable in our opinion.

THE U.S. OIL RESERVE PICTURE

There is a great deal of uncertainty as to the capability of the U.S. oil industry to find enough oil in this decade to reduce to any great extent that country's growing crude oil deficit. Domestic demand for crude oil, condensate, and natural gas liquids approximated 15.0 million b/d in 1970, while the production of crude oil and condensate amounted to 9.6 million b/d and natural gas liquids to 1.7 million b/d leaving a deficiency of 3.7 b/d to be supplied by imports.

In an interim report to the Secretary of Interior as part of their massive energy study, the National Petroleum Council forecast U. S. demand will increase to 23 million b/d by 1980 and production would decline to 11.7 b/d (including 2.0 million b/d from the Alaskan North Slope) leaving a deficit of 10.3 million b/d. Imports of Canadian crude were forecast to increase from 1970's level of 766,000 b/d to 1.3 million b/d during the same period.

In their application placed before the Energy Resources Conservation Board to produce synthetic crude oil from their Athabasca Tar Sands leases Syncrude (a consortium of Atlantic Richfield, Canada-Cities Service, Gulf Oil Canada and Imperial Oil) forecast Canadian exports of total liquid hydrocarbons will increase to 1.8 million b/d by 1980 while the mean estimate of the Board Staff was 1.6 million b/d. We feel the N.P.C. estimate is very conservative but even in that case Canadian exports to the U.S. would increase by 70%.

To retain the U.S. reserves-life index at its historic 12:1 ratio it was forecast some time ago by the former Secretary of the Interior, Stewart Udell, that an annual discovery rate of better than 5 billion barrels

was required. Although, if the recovery rate of existing reserves could be increased by 30-35% annually, a slightly lower rate might be sufficient. Since 1956 the average annual discovery rate has been approximately 800* million barrels and the recovery rate of existing reserves has averaged 4%. In addition, the rate of exploratory drilling has been declining sharply.

Two or three years ago it would have been fairly safe to say the offshore areas such as the Gulf Coast and California, plus Alaska, were the future focal points of the U.S. search for domestic reserves. However, since that time a growing awareness of environmental problems and dangers has led to considerable controversy over offshore lease sales and the proposed Alyeska pipeline running from the Alaskan North Slope to the Port of Valdez. At the present time potential wildcat lease sales on the Atlantic seaboard are causing concern to residents of the New England States, environmental groups are questioning the validity of Gulf Coast lease sales, and poor drilling practices and the resultant oil spills have restricted drilling in the Santa Barbara Channel off the California coast. The environmental impact of the Alyeska pipeline is being given considerable attention and already has delayed construction by roughly two years. It appears Interior Department and Presidential approval may be forthcoming in the first six months of this year. However, the permit, if and when approved, is expected to be appealed in the Supreme Court causing further delays. In summary, the U.S.A. is faced with a declining reserves-life index. At the same time the U.S. oil industry is incapable of capitalizing on the major discoveries in Alaska; unable to fully develop and concentrate their drilling resources in the offshore area; exploratory drilling is declining, particularly in the inland areas; and the offshore oil rich nations which supply the majority of the U.S. oil deficit are demanding an ever increasing price for their crude oil, and to a great extent these nations could be said to have the U.S. "over a barrel".

While discussion and controversy continues of how, at what price, and from what sources the growing energy shortage will be alleviated, the demand for crude oil continues to increase and domestic production declines. The foregoing defines to some extent the general trend of demand/supply within the U.S. but it does not with any real clarity detail developing trends within specific areas. Total U.S. reserves of crude oil and natural gas liquids amounted to 46.7 billion barrels at the end of 1970, sufficient for 14 years at the 1970 production rate of 4.1 billion barrels. This includes Alaska's Prudhoe Bay reserves which distorts the picture somewhat and does not clarify the particular situation developing in District #II. While U.S. consumption has a growth rate of approximately 3 1/2 - 4% annually, reserves in most of the producing States are declining as the following table points out:

* Only conventional crude oil statistics, for N.G.L.'s are not available.

PRODUCTION AND RESERVES
IN THE PRINCIPAL PRODUCING STATES IN THE U.S.A. (1)
(Thousands of Barrels)

		1970 Total Production	Proved Reserves As at January 1, 1971	% Change From Prior Year	Life Index Years of Supply
	U. S. A.	3,319,445	46,704,276 (2)	+23.6	14.0
	Alaska	83,052	10,149,159 (3)	(4)	(4)
	California	390,590	4,154,170	- 6.2	10.6
**	Colorado	27,339	407,844	- 3.0	14.9
*	Illinois	43,069	229,815	-15.9	5.3
*	Kansas	103,723	833,378	- 0.2	8.0
**	Louisiana	899,501	8,277,300	+ 0.1	9.2
	Mississippi	66,416	377,392	- 0.7	5.6
**	Montana	38,727	250,148	-12.4	6.4
**	New Mexico	172,133	1,319,497	- 8.3	7.6
*	North Dakota	24,050	241,634	-15.5	10.0
*	Oklahoma	251,022	1,709,956	- 7.9	6.8
**	Texas	1,538,481	16,525,635	-11.3	10.7
	Utah	25,610	217,802	- 6.9	8.5
**	Wyoming	165,477	1,128,698	+ 2.9	6.8

* District #II
** Principal Suppliers to District #II

(1) Crude Oil & Natural Gas Liquids
(2) Includes Prudhoe Reserves - 10 Billion Barrels
(3) Does not include N. G. L. Reserves
(4) These statistics quite meaningless at present time

There are three main sources supplying the Great Lakes Region:

1. Its own producing States led by Oklahoma.
2. Louisiana via the 40", 500,000 b/d capacity Capline to Patoka, Ill. where it becomes the 26", 200,000 b/d Chicap.
3. Western Canadian crude via the Interprovincial Pipeline.

It is quite evident reserves are declining in the Great Lakes region and adjacent States and the reserves life index is considerable lower than the U. S. generally. It is also important to note the declining rate of exploratory drilling and therefore the limited prospects of discovering significant new reserves in the inland areas. Other than Louisiana's Gulf Coast, U. S. offshore areas such as California are inaccessible to District #II as are foreign sources of supply, leaving Alaska as the only major new source. Unless a pipeline is laid eastwards along the Alaskan-Canadian Arctic shoreline to the MacKenzie and then down the MacKenzie Valley to Edmonton to connect with an expanded I. P. L. system, it is very difficult

for Alaskan crude to reach District #II due to its geographic location. The growing demand in other U.S. markets and limited spare producing capacity will eventually place a ceiling on the volume major producing States such as Louisiana and Texas can ship to District #II. In fact, a recent feature article in the "Oil and Gas Journal" placed Louisiana's spare producing capacity at 200,000 b/d.

Interprovincial is an active participant in the fifteen member MacKenzie Valley Pipeline Research consortium conducting above ground tests at Innuvik, N.W.T. Research, on which $3 million has been expended, is continuing with particular emphasis on route selection and environmental protection. We believe a crude oil pipeline running down the MacKenzie Valley either to ship crude from the N.W.T. or complementing a line from the North Slope to the Port of Valdez is a distinct possibility some time in the future.

INTERPROVINCIAL'S CURRENT MARKETS

The markets can be broken down into three distinct areas:

1. The Prairie Provinces
2. Ontario
3. The Great Lakes region of the U.S. District #II plus District #I to a growing extent.

The volume of crude deliveries to refineries in the Prairie Provinces has experienced an erratic growth pattern having increased 2.3% in 1963, 7.3% in 1965, 7.4% in 1966, 1.1% in 1967, 5% in 1969, and approximately a 3% rise in 1970. Deliveries for the first nine months of 1971 were unchanged and we would anticipate approximately a 2.5% to 3.0% per year growth rate in the future.

In the Ontario market since 1966 demand for crude has had approximately a 4.5% annual growth rate. Currently demand is running close to capacity and in all probability will slow down unless refinery expansion occurs.

District #II is the key to the future growth prospects of Interprovincial. An accurate projection of how rapidly this market will expand, but expand it will, is difficult due to the U.S. oil import restrictions. However, there has been some easing in the last several years and at times the quota has been exceeded due to the demand for Canadian crude, mainly because of the price advantage and the in ability of U.S. sources to meet domestic requirements.

District #I, it should be noted, is an expanding market for Western Canadian producers. Over the 1966-1970 period shipments through the I.P.L. system to District #I and #II have increased from 177,982 b/d to 403,963 b/d.

For the first nine months of 1971 deliveries to this market averaged 453,436 b/d compared to 395,787 b/d in the similar 1970 period representing a 14.3% increase. We feel an annual growth rate of 12-15% is not an unreasonable expectation in this market.

FINANCIAL SUMMARY OF OPERATIONS

Salient operating and financial statistics for the period 1966-1970 and projections for 1971-72 are shown below:

PRODUCTION RECORD

Throughput Barrels Daily	1966	1970	Percentage Increase	Est. 1971	Est. 1972
Western Canada	106,817	116,386	8.9	510,000	540,000
Ontario	320,145	380,570	19.0		
United States - District #I	39,769	89,619	126.0	475,000	575.000
United States - District #II	138,213	314,344	127.3		
TOTAL	604,944	900,919	49.0	985,000	1,115,000
Barrel Miles (Millions)	267,354	444,318	66.0	493,193	582,000

FINANCIAL
($000 Omitted)

	1966	1970	Percentage Increase	Est. 1971	Est. 1972
Transportation Revenue	$87,787	$133,707	52.3	$146,000	$168,500
Other Income	1,219	1,643		3,000	-
Total Income	89,006	135,350		149,000	168,500
Expenses	40,599	73,322	80.6	75,800	84,500
Pre-Tax Earnings	48,407	62,028	28.0	73,200	84,000
Taxes	25,885	32,531		37,600	44,000
Net Earnings	22,522	29,497	30.9	35,600	40,000
$ Per Share	0.89	1.16	30.3	1.40	1.55
Dividend $ Per Share	0.72	0.80	11.0	0.86	0.92
Payout Ratio	81.0%	69.0%*		61.%	59%

* Five Year Average 77%

The most significant conclusion which can be drawn from these tables is that exports to the U.S. are a dominant factor in I.P.L.'s growth. Deliveries of crude to the U.S. accounted for 66.7% of throughput in 1970 compared to 29.4% in 1966. Barrel miles have increased at a slightly faster pace than revenue and this follows a normal pattern of revenue per barrel mile declining as the average length of haul increases. This averaged 1,211 miles in 1966, increasing to 1,351 miles in 1970. Revenue per 1000 barrel miles has decreased over the last five years from 32.8 cents to 30 cents

while operating costs on the same basis have declined from 7.2 cents to 6.2 cents. However, an inference of some importance only becomes apparent when considered in relationship to the amount of spare capacity available at specific times over that period.

	1965	1966	1967	1968	1969	1970
Transportation Revenue per 1000 b/mile	33.0¢	32.8¢	32.0¢	31.2¢	31.3¢	30.0¢
Operating & Administrative costs per 1000 b/mile	6.6¢	7.2¢	7.7¢	7.6¢	7.0¢	6.2¢

During 1966 and 1967 the original Superior, Wisconsin - Sarnia, Ontario 30'' line routed via the MacKinac Straits operated at full capacity with ten temporary pumping stations also on line. Consequently operating costs climbed sharply. To relieve the pressures and eventually tap the growing market in Chicago, a decision to loop the line with 34'' pipe via Chicago was made in 1967. Construction of the first stage to Chicago was completed during 1968 and the remaining 293 miles to Sarnia was looped with 30'' pipe and brought into operation by the end of 1969. The decline in operating costs in 1969 and 1970 is directly attributable to the spare capacity made available by the 1968/69 looping programme. For 1971 and 1972 we estimate revenue per 1000 barrel miles could decline slightly to 29.6 cents and operating costs to 6 cents.

Other expenses (debt charges, depreciation etc.) have increased between 1966 and 1970 mainly due to the Chicago looping programme. Municipal taxes with respect to rights-of-way have increased from $4.3 million to $9.6 million, debt interest from $4.3 million to $18.8 million, and depreciation from $10.8 million to $18.8 million.

For 1971 and 1972 we estimate operating and administrative costs could rise to approximately $29.6 million and $34.9 million respectively, municipal taxes to $20 million and $10.0 million, depreciation charges to $18 million and $20.5 million, and debt interest to $20.0 million and then decline slightly to $19.0 million.

Over the past six years net earnings have increased by 27% from $22.5 million of $0.89 per share in 1966 to $35.6 million or $1.40 per share in 1971. We anticipate earnings could experience further growth in 1972, increasing to $40.0 million or $1.55 per share. They are of good quality as the Company uses the normalized method of tax accounting.

<u>1973 Estimate:</u> In order to remain fairly conservative we have used the 1970 average mileage per barrel to calculate barrel miles and revenues. While realizing that financing will be required for the looping programme in 1972/73, we feel liquid assets plus cash flow will in all probability provide sufficient funds to finance the 1972 expansion programme. However, additional financing will be required in 1973 but, in this regard, we suspect

principal repayments over the next two years will offset this to a great degree, although the debt interest charge may increase slightly.

Estimates for 1973 are based on the following assumption:

Exports to the U.S. increased by	100,000 b/d
Deliveries to Ontario increased by	20,000 b/d
	120,000 b/d

We estimate revenues per 1000 barrel miles at 29.5 cents and assuming an average length of haul per barrel of 1,350 miles this means an additional 59,130 million barrel miles and consequently the generation of approximately $17.4 million in additional revenues.

	1973 ($000)
Additional revenue at 29.5 cents per 1000 b/m	17,400
Operating expenses at 6,5 cents per 1000 b/m	3,900
Revenues net of operating expenses	13,500
Income taxes at 50%	6,750
Net gain to earnings	6,750
Shares outstanding 25,475,585	26¢

Based on these assumptions, earnings in 1973 should be in the $1.75-1.80 per share range. We feel the anticipated increase in exports to the U.S. is obtainable, while the estimate of deliveries to the Ontario market is reasonable. The increasing oil deficit in the U.S., particularly in District #II, could conceivably mean a much improved or freer flow of Canadian crude into this area by 1973 and, in fact, U.S. restrictions may be lifted during that year. Consequently actual deliveries of crude in 1973 could be 25,000 - 50,000 b/d higher. Thus with a conservative barrel mileage figure as our base and the possibility of higher deliveries, any increases in operating costs, debt charges or municipal taxes are to a fair degree compensated for.

Dividends: Dividend payout has historically been maintained at a high payout ratio averaging 77% of earnings for the past five years. Currently the annual dividend rate of 92 cents per share represents a payout ratio of 59% based on our 1972 estimated earnings of $1.55 per share. A further increase in the annual dividend rate appears possible over the next several years.

COMPANY HISTORY AND OPERATIONS

I. P. L., incorporated in 1949, acts as a common carrier operating the longest crude oil pipeline in the free world extending for approximately 2,000 miles with a total length of approximately 5,156 miles at the end of

1970. Since the initial movement of oil eastwards on October 4, 1950, the story has been one of continued expansion in markets, length of haul, and total capacity.

Originally, the pipeline extended some 1,130 miles from the oil fields at Redwater, Alberta to the Great Lakes port of Superior. From there during the navigation season crude oil was transported in lake tankers to the Sarnia refineries and other points in Eastern Canada. In 1953 the system was extended from Superior to Sarnia by way of an underwater crossing of the MacKinac Straits and the Sarnia refineries received crude oil via pipeline for the first time early in January 1954. The refineries at Clarkson and Port Credit in the Toronto area were connected to the system in 1957 by laying 156 miles of 20" pipe.

Looping of the original line began in 1952 and by the end of 1958 a second big inch pipeline had been laid parallel to the original line between Edmonton and Superior. A second looping programme was commenced in 1962 and by the end of 1965 comprised 329 miles of 34" pipe between Regina and Superior. A 12" diameter pipeline laid in 1963 extended the system from Westover, near Hamilton, Ontario to Buffalo, N. Y. The year 1966 was relatively quiet as far as any major expansion was concerned; total expenditures amounted to roughly $2 million and consisted mainly of adding one permanent and two temporary pumping stations. A major construction programme totalling $76.7 million was undertaken in 1967 to provide the capacity to meet expanding markets. Basically the 1967 construction programme comprised of extending the 1962 looping programme by laying an additional 416 miles of 34" diameter pipe between Edmonton and Superior. Also, the looping of the line between Sarnia and Port Credit was undertaken by laying 56 miles of 20" diameter pipeline. In 1967 the decision was made to extend or loop the system from Superior, Wisconsin to Sarnia via Chicago. The first 466 miles of 34" pipe from Superior to Chicago was completed with 30" pipe by the end of 1969. During 1970 a further 20 miles of looping with 20" line was completed between Sarnia and Port Credit. Expansion of the system continued during 1971 at an estimated cost of $50 million. As of September it was anticipated the programme was on schedule for completion by the year end. The addition of 66 pumping units totalling 228,750 horsepower installed in 41 locations will increase capacity between Edmonton, Alta and Sarnia, Ontario by 200,000 b/d and east of Sarnia by 40,000 b/d by the addition of 46 miles of line consisting of two loops and three pumping units.

Perhaps the expansion undertaken since the original pipeline was laid can best be summed up by the following table:

ORIGINAL PIPELINE (Commenced in 1949)

LINE SECTION

From	To	Miles	Pipe Diameter	Capacity
Redwater	Edmonton	31	16"	
Edmonton	Regina	438	16"	103,200
Regina	Gretna	334	18"	69,000
Gretna	Superior	325	18"	70,000

PIPELINE UPON COMPLETION OF 1971 CONSTRUCTION PROGRAMME

Length in Miles	Diameter	Length in Miles	Diameter
92	12"	772	24"
428	16"	326	26"
363	18"	933	30"
759	20"	1,564	34"

LINE SECTION (Capacity available for 1972 operations)

From	To	Capacity b/d (000)	From	To	Capacity b/d (000)
Edmonton	Regina	1,251	Cromer	Gretna	1,308
Regina	Cromer	1,236	Gretna	Superior	1,308
Superior	Sarnia	(via Straits of MacKinac)			538
Superior	Chicago	621	Chicago	Sarnia	330
Sarnia	Port Credit	355	Westover	Buffalo	133

Total number of pumping stations - 49

The Company announced late in 1971 plans to embark on a looping programme which entails laying a 48" line parallel to the existing system between Edmonton and Superior. Construction will be undertaken in stages as demand arises. The initial stage planned for 1972 boosted capacity by 100,000 b/d ex-Cromer, Manitoba and originally comprised of laying 92 miles of line in the form of 17 loops on the existing 34" line. In addition to which 90,000 h.p. consisting of 17 electric units at existing pumping stations plus a new pumping station between Griffith, Indiana and Sarnia, Ontario was also to be added, and the capacity of the 12" line from Westover, Ontario to Buffalo, N.Y. was to be increased to 145,000 b/d; at various points along the system a total of 8 breakout and receiving tanks were scheduled for construction. However, the Company has revised the programme planned for 1972. The revision calls for 124 miles of 48" line to be laid and 130,000 h.p. to be added. Capacity of the system will be then raised by 127,000 b/d to 1,435,000 b/d ex-Cromer, Manitoba. The balance of the initial programme remains unchanged and total cost is estimated at $76.5 million.

February, 1972

J. G. Williamson

INTERPROVINCIAL PIPELINE'S CURRENT MARKETS SHOWING AREA & REFINERS & CAPACITY

U.S.A. – DISTRICT #I

Refiner	Refinery Location	(1) Capacity b/sd	Nomination Canadian Crude For Jan. 1972
Pennsylvania			
United Refining	Warren	25,000	13,000
New York			
Mobil Oil	Buffalo	39,900	37,400
Ashland Oil	Tonawanda	47,500	54,900
		87,400	105,300

U.S.A. – DISTRICT #II

Refiner	Refinery Location	(1) Capacity b/sd	Nomination Canadian Crude For Jan. 1972
Illinois			
Atlantic Richfield	East Chicago	135,000	17,700
Canada Cities Service	" "	56,000	21,400
Clark Oil	Blue Island	65,000	30,100
Shell Oil	Wood River	245,000	6,000
Texaco	Lockport	76,000	9,300
Union Oil	Chicago	140,000	11,600
		717,000	96,100
Indiana			
American Oil	Whiting	303,000	26,600
Gladieux Refinery	Fort Wayne	6,500	1,000
Laketon	Laketon	15,400	*
		324,900	27,600
Michigan			
Bay Refining	Bay City	17,000	13,600
Crystal Refining	Carson City	6,200	1,900
Leonard Refining	Alma	29,000	13,300
Marathon Oil	Detroit	48,000	11,200
Osceola Refining	West Branch	8,000	5,400
Mobil	Detroit	44,600	*
		152,800	45,400
Minnesota			
Ashland Oil	St. Paul	47,500	23,500
Gt. Northern Oil	Pine Bend	87,000	82,300
Continental Oil	Wrenshall	17,000	13,100
		151,500	118,900
North Dakota			
American Oil	Lignite	50,000	7,000

* Not Available

Refiner	Refinery Location	(1) Capacity b/sd	Nomination Canadian Crude For Jan. 1972
Ohio			
Ashland Oil	Canton	57,000	*
Gulf Oil	Toledo	46,800	23,300
Sohio	"	117,600	33,000
Sun Oil	"	112,000	17,000
		333,400	73,300
Wisconsin			
Murphy Oil	Superior	34,000	32,120
	(1) Refining Capacity	1,826,000	511,720

CANADA

Refiner	Refinery Location	(1) Capacity b/sd	Nomination Canadian Crude For Jan. 1972
Saskatchewan			
Consumers Co-Op	Regina	21,500	19,000
Gulf Oil	Moose Jaw	13,500	2,000
Imperial Oil	Regina	32,200	21,600
		67,200	42,600
Manitoba			
Imperial Oil	Winnipeg	21,000	22,500
Shell Oil	St. Boniface	26,500	27,400
		47,500	49,900
Ontario			
B. P. Canada	Oakville	35,000	37,500
Dome Petroleum	Sarnia	30,000	9,630
Gulf Oil	Clarkson	55,400	56,700
Imperial Oil	Sarnia	126,800	114,000
Shell Canada	Oakville	42,000	34,400
" "	Sarnia	50,000	61,700
Sun Oil	"	33,000	38,500
Texaco	Port Credit	40,000	39,300
		412,200	391,730
	(1) Refining Capacity	499,900	484,230

Total Refinery Capacity District #II	(1)	3,458,681 b/sd
Total Refinery Capacity I.P.L.'s Customers District #I	(1)	114,500 b/sd
	(1)	3,573,181 b/sd
Average deliveries through I.P.L. System District #I & #II 1970		403,963 b/d
Average deliveries through I.P.L. System District #I & #II 1971		475,000 b/d

U.S. import duty 10.5¢ per barrel on crude having gravity above 25 API and 5.25¢ per barrel below 25 API.

(1) As of January 1, 1971 - Capacity shown on the basis of the more conservative stream day.

* Not available

AR17

Interprovincial Pipe Line Company

NEWS RELEASE

For checking

FOR IMMEDIATE RELREASE July 26, 1972

Interprovincial Pipe Line Company's consolidated net income (unaudited) for the first six months of 1972 amounted to $19.2 million equivalent to 75¢ per share. During the same period in 1971, the company earned $16 million or 63¢ per share.

Deliveries of crude oil, refined products, and natural gas liquids during the first half of 1972 averaged 1,065,000 barrels per day as compared to 943,000 b/d during the same period in 1971. Shipments to the United States increased to 558,000 b/d from the 445,000 b/d averaged in the first six months of 1971.

The 1972 expansion program is proceeding on schedule and it is now expected that it will be completed by year end within the original cost estimate.

A quarterly dividend of 23¢ per share was declared today payable September 1 to shareholders of record August 8, 1972.

\- 30 -

D. G. Waldon
President

7 King Street East
Toronto, Ontario

AR17

PRESS RELEASE

January 26, 1972

INTERPROVINCIAL PIPE LINE COMPANY announced today that consolidated net income (unaudited) for 1971 amounted to $35.6 million equivalent to $1.40 per share. In 1970 the company earned $29.5 million or $1.16 per share.

Crude oil and natural gas liquids delivered by the system in 1971 averaged 977,350 barrels per day, 8.5% more than the 900,919 b/d averaged in 1970.

The company also announced that consistent with its policy of adjusting tariffs as throughputs and earnings warrant, effective April 1, 1972, it is reducing its short haul rates by amounts varying from .6¢ to 2¢ per barrel and its long haul rates by 1¢ per barrel. This is the fifth time the company has reduced its tariffs since commencing operations in 1950 and they have never been increased.

At their meeting today, the Board of Directors also increased the quarterly dividend by 1¢ per share. The March 1, 1972 dividend will be paid at the rate of 23¢ per share to shareholders of record on February 7.

D. G. Waldon
President

Interprovincial Pipe Line Company
Room 901, 7 King Street East
Toronto 210, Ontario

Interprovincial Pipe Line Company

Annual Report 1972

CORPORATE INFORMATION

EXECUTIVE OFFICE—7 King Street East, Toronto, Ontario M5C 1A2

HEAD OFFICE AND OPERATING HEADQUARTERS—
10015—103 Avenue, Edmonton, Alberta T5J 2J9

STOCK TRANSFER AGENTS

The Royal Trust Company—Toronto, Montreal, Halifax, Winnipeg, Regina, Edmonton, Vancouver

Chemical Bank, New York

STOCK REGISTRARS

Montreal Trust Company—Toronto, Montreal, Halifax, Winnipeg, Regina, Edmonton, Vancouver

Bank of Montreal Trust Company, New York

DIVIDEND DISBURSING AGENT

The Royal Trust Company—
P.O. Box 7500, Postal Station 'A', Toronto, Ontario M5W 1P9

TABLE OF CONTENTS

Annual General Meeting—2.30 p.m. April 11, 1973, Roof Garden, Royal York Hotel, 100 Front Street West, Toronto

For the purpose of the new Canadian capital gains tax effective January 1, 1972, the Valuation Day price (at December 22, 1971) of the company's capital stock was $30.63.

Cover picture—Welding a section of 48-inch pipe

Interprovincial Pipe Line Company

Annual Report 1972

(Incorporated by Special Act of the Parliament of Canada, April 30, 1949)

DIRECTORS

LORENZ P. BLASER
Senior Vice-President, Gulf Oil Canada Limited, Toronto

JOHN F. BOOKOUT
President & Director, Shell Canada Limited, Toronto

JERRY A. COGAN
Senior Vice-President & Director, Imperial Oil Limited, Toronto

JOHN W. HAMILTON
Senior Vice-President & Director, Imperial Oil Limited, Toronto

JAMES G. LIVINGSTONE
Senior Vice-President & Director, Imperial Oil Limited, Toronto

RALPH D. PARKER
Consultant, former Senior Vice-President & Director,
The International Nickel Company of Canada, Limited, Toronto

W. HAROLD REA
Chairman of the Board, Great Canadian Oil Sands Limited, Toronto

ROBERT H. REID (Deceased—November 9, 1972)
Vice-Chairman of the Board, London Life Insurance Company, London, Ontario

DAVID G. WALDON
President, Interprovincial Pipe Line Company, Toronto

WILLIAM P. WILDER
Chairman & Chief Executive Officer, Canadian Arctic Gas Study Limited, Toronto
Former President of Wood Gundy Limited

GORDON D. deS. WOTHERSPOON
Executive Vice-President & Director, Eaton's of Canada Limited, Toronto

OFFICERS

DAVID G. WALDON, President

JOHN W. HAMILTON, Vice-President

ROBERT K. HEULE, Vice-President & General Manager

JOHN BLIGHT, Secretary-Treasurer

E. GORDON SHEASBY, General Counsel & Assistant Secretary

FREDERICK B. NEWTON, Assistant Treasurer

HIGHLIGHTS

FINANCIAL

	1972	1971	Percentage Increase
Transportation revenue	$164,207,000	$144,393,000	13.7%
Other income - - -	$ 1,689,000	$ 2,871,000	
Expenses, excluding taxes - - - - -	$ 75,507,000	$ 67,394,000	12.0%
Income and other taxes	$ 50,305,000	$ 44,230,000	13.7%
Earnings - - - -	$ 40,084,000	$ 35,640,000	12.5%
per share - - - -	$1.57	$1.40	
Dividends - - - -	$ 23,976,000	$ 21,892,000	9.5%
per share - - - -	$0.94	$0.86	
Capital expenditures -	$ 66,022,000	$ 44,783,000	

STATISTICAL

	1972	1971	Percentage Increase
Deliveries (barrels per day)			
By Quarters			
First - - - -	1,116,033	988,235	
Second - - -	1,014,416	897,840	
Third - - - -	1,104,344	993,929	
Fourth - - - -	1,226,166	1,028,767	
Yearly average - -	1,115,513	977,350	14.1%
Highest month - -	1,341,810	1,071,613	
Lowest month - -	997,720	844,940	
Barrel miles (millions) -	573,456	488,862	17.3%
Number of employees—December 31 - -	706	677	4.3%
Investment in plant per employee - - -	$ 1,004,000	$ 954,000	

DIRECTORS' REPORT TO SHAREHOLDERS

The steadily increasing demand for refinery feed stocks in all areas served by the company, together with a further easing of import restrictions on Canadian crude into the United States, resulted in another very successful year for Interprovincial. Deliveries of crude oil, natural gas liquids, and refined products totalled 408 million barrels—some 51 million more than in 1971—and earnings reached a new high of $1.57 per share.

Deliveries of Canadian crude oil in the United States in 1972 averaged 576,667 barrels per day (plus 8,602 b/d of U.S. domestic crude) as compared to 467,603 b/d (plus 2,786 b/d U.S. crude) in 1971 and for the first time exceeded deliveries in Canada which averaged 530,244 b/d. The quota for 1972 for the area of the United States east of the Rocky Mountains was initially established at 540,000 b/d and by the end of the year had been increased to 582,000 b/d, both exclusive of natural gas liquids. For 1973 the quota has been set at 675,000 b/d, again exempting natural gas liquids.

However, with the current shortage of petroleum products in the United States the U.S. refiners have been drawing heavily on their allocations of Canadian crude and as a result exports via the Interprovincial/Lakehead system alone during the first two months of 1973 have been averaging in excess of 800,000 b/d. This has prompted the Canadian government to initiate export controls effective March 1, 1973, as there is concern that certain Canadian refineries might not be able to purchase all the crude oil they require. Indications are that the allowable level of exports will be only marginally less than current nominations and that the National Energy Board will be holding public hearings shortly regarding oil exports over the longer term.

Possibly the most far-reaching development in 1972 was the start of the 48-inch looping program. This is the largest diameter pipe ever used in an oil line in the Western Hemisphere and as described elsewhere in this report, the construction of 126 miles in the form of 22 loops between Edmonton, Alberta and Superior, Wisconsin was completed before the end of the year, well within the original cost estimate. Some problems in handling the 48-inch pipe were encountered but for the most

Winter construction in Minnesota

Summer construction in Saskatchewan

part the work went well and valuable experience was gained.

Not all the new pumping units were in operation by year end, however, and as a result the full capacity increase of 127,000 b/d to 1,435,000 b/d ex Cromer, Manitoba was not available until February 1973.

To keep pace with the expansion taking place in the producing industry in Western Canada, it has been decided to increase the capacity of the pipe line system in 1973 by the maximum amount practicable short of commencing looping out of Superior. This works out to 120,000 b/d ex Cromer and, subject to the approval of the National Energy Board as regards the additional facilities in Canada, will be accomplished by fully powering the existing two lines out of Superior and adding looping and horsepower as required between Edmonton and Superior—and between Sarnia, Ontario and Toronto/Buffalo. Capital expenditures in 1973 are estimated at $106 million.

Interprovincial continues as an active participant in Mackenzie Valley Pipe Line Research Limited and the long-awaited feasibility study on a 48-inch line from the North Slope of Alaska to Edmonton was finally released in January 1973. This report concludes that such a line is technically feasible and could be constructed and operated without major or irreparable damage to the Arctic environment. The line would be 1,738 miles in length and complete with sufficient pumping stations to provide a capacity of 1.8 million b/d, would cost about $3.4 billion.

The companies that have discovered oil on the North Slope of Alaska, however, favour a pipe line across Alaska (Alyeska) and to date not enough additional oil has been found in either the North Slope of Alaska or the Canadian Arctic to justify a second oil line through Canada. Extensive exploration and drilling is under way in the Canadian Arctic, however, and as a consequence Mackenzie Valley

is continuing studies on an all-Canadian line out of the Mackenzie Delta. Such a line would be 1,400 miles long and would cost substantially less than $3.4 billion.

Early in 1973 Lakehead began delivering oil at Griffith, Indiana to an existing 12-inch pipe line that runs from the Chicago area to the State of Kansas. During the second quarter of 1973 production from the recently discovered oil fields in the State of Michigan is scheduled to be delivered to Lakehead at two new receiving points for transportation to the Buffalo area.

Two refineries in Ontario have announced capacity increases totalling 80,000 barrels per day for completion in late 1974. Also late in 1974 refined products are scheduled for movement as far as Gretna, Manitoba. Studies are continuing on the possibility of moving specification propane and butane as far as Superior.

Financial Review

The Consolidated Financial Statements and the Notes, appearing on pages 12 through 19, include the accounts of Interprovincial Pipe Line Company and its subsidiaries, all of which are wholly owned. These are Lakehead Pipe Line Company, Inc., which owns and operates the portion of the pipe line system in the United States, and its subsidiary, Pipe Line Service Company, Inc., which owns Lakehead's aircraft and radio communication system. Interprovincial also has a Canadian subsidiary, Interprovincial Pipe Line Patrol Company Limited which is inactive.

Income and Expenses

Deliveries were 14% higher than in 1971 and throughput in terms of barrel miles was up 17%. However, as a result of the reduction in tariffs effective April 1, 1972 (for details see Tariff section) Transportation revenue only increased 14% to $164.2 million.

Other income was down $1.2 million due to less short term investment income. As funds for the 1972 construction program in Canada were entirely provided from internal sources, less surplus funds were available for investment.

Operating and administrative expenses of $37.7 million were $6.4 million higher than in 1971. Fuel and power costs required to pump the additional throughput increased $5.5 million to $18.7 million with salaries and related benefits increasing to $10.1 million compared to $9.1 million in 1971.

Property taxes continued to increase as a result of additions to the pipe line system and higher mill rates.

Provision for depreciation was also higher as a result of the $44.8 million capital expenditures in 1971. Interest showed only a slight increase with the added interest on Lakehead's $30 million 7.60% debenture issue of August 1, 1972 being almost offset by lower interest costs as a result of debt repayment. Interest capitalized amounted to $616,000 in 1972.

Earnings and Dividends

Earnings for the year were $40.1 million, an increase of $4.4 million or 12.5% over 1971. Earnings per share were $1.57 compared to $1.40 the previous year.

Dividends paid to shareholders totalled $24.0 million and represented 60% of earnings compared with $21.9 million and 61% in 1971. The 1972 dividend totalled 94¢ per share compared to 86¢ in the previous year.

Installing a 48-inch valve

The quarterly dividend rate was increased from 22¢ to 25¢ per share effective with the March 1, 1972 dividend and to 26¢ per share on December 1, 1972.

To provide funds for the United States portion of the 1972 expansion program Lakehead, on June 15, sold $30 million 7.60% 25-year Sinking Fund Debentures, Series G, at par.

To finance the 1973 construction program and to redeem at maturity, on April 1, 1973, the balance of Interprovincial's 4% Series C Bonds, a $50 million Interprovincial debenture issue is planned for April or May. In addition Lakehead has arranged for a $20 million bank line of credit in the United States.

Interprovincial and Lakehead are engaged exclusively in the transportation of crude oil and other liquid hydrocarbons by pipe line at established tariffs. Effective April 1, 1972 the company reduced its short haul rates by amounts ranging from 0.6¢ to 2.0¢ per barrel and long haul rates by 1¢ per barrel. Rates from the two main receiving points to the principal delivery points are now as follows:

	Rates for light crudes Cents per barrel From	
To	Edmonton	Cromer
Regina - - - - - - - -	18.7¢	— ¢
Gretna - - - - - - - -	27.8	10.3
Clearbrook - - - - - - -	31.0	14.9
Superior - - - - - - - -	34.9	20.6
Detroit/Toledo - - - - -	52.0*	40.9*
Chicago - - - - - - - -	44.0	32.6
Sarnia - - - - - - - -	47.0	35.9
Toronto area - - - - - -	50.0	38.9
Buffalo - - - - - - - -	52.0	40.9

*Joint rates with connecting carriers.

The rates for heavier crudes, natural gas liquids, and refined products are slightly higher.

Operations

Receipts into the system averaged 1,121,800 barrels per day—14% increase over the 982,000 b/d averaged in 1971. As in the past several years, nearly all the growth was from Alberta.

Receipts—
(thousands of barrels per day)

	1972	1971
Alberta - - - - -	877.5	743.4
Saskatchewan - - -	217.8	217.0
Manitoba - - - -	14.9	15.6
Ontario - - - - -	3.2	2.8
United States - - -	8.4	3.2
	1,121.8	982.0

Deliveries averaged 1,115,500 b/d, an increase of 138,100 b/d or 14% over 1971. In December 1972 the company commenced delivering Alberta crude at Regina to a new 12-inch diameter pipe line system which connects with an existing system in Montana.

Deliveries—by location
(thousands of barrels per day)

	1972	1971
Canada		
Western Canada - -	115.9	116.2
Ontario - - - -	414.3	390.8
	530.2	507.0
United States	1972	1971
Minnesota-Wisconsin	175.5	159.2
Illinois-Indiana - -	145.4	89.3
Michigan-Ohio - -	143.0	120.1
New York-Pennsylvania	121.4	101.8
	585.3	470.4
	1,115.5	977.4

Deliveries—by type
(thousands of barrels per day)

	1972	1971
Crude oil—		
Conventional -	943.8	881.0
Oil sands - -	45.2	40.7
Natural gas liquids—		
Condensate - -	73.9	35.8
Propane/butane/ condensate mix	32.1	12.8
Refined products -	20.5	7.1
	1,115.5	977.4

Construction

1972 Review

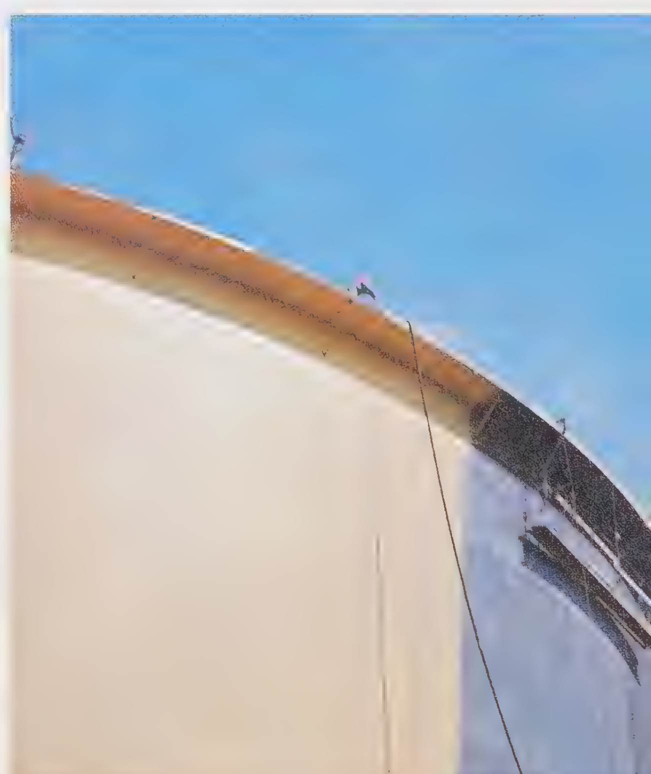
Capital expenditures during the year totalled $66 million. The largest expenditure was for the installation of 126 miles (increased from 124 miles) of 48-inch pipe between Edmonton and Superior, and for 18 miles of 20-inch pipe between Westover, Ontario and Buffalo. Both of these projects were completed and placed in operation before year end. Not all the 28 new pumping units and eight new tanks were completed by the end of the year however, and an additional $4 million will be expended in 1973 to complete these items and install two 5,000 horsepower electric pumping units in Western Canada which were deferred until 1973.

The original cost estimate was $77 million but this was reduced to $70 million when equipment costs and contractors' charges were known.

1973 Forecast

The 1973 program, together with the amount required to complete 1972 projects, is expected to result in capital expenditures of $106 million. This program will increase the capacity of the pipe line system by a further 120,000 b/d to 1,555,000 b/d ex Cromer.

New tank at Edmonton being painted



This is the maximum increase practicable short of commencing looping out of Superior and will be accomplished by fully powering the present two-line system out of Superior and adding looping and horsepower between Edmonton and Superior and out of Sarnia, as required.

The major expenditure will be for 203 miles of 48-inch looping between Edmonton and Superior—142 miles in Western Canada and 61 miles in the State of Minnesota—in the form of 28 loops on the existing 34-inch line. It was originally thought that 83 miles would be required in Minnesota but a means of reducing this to 61 miles has been found. In addition, 21 electric pumping units (including the two units deferred from 1972 mentioned earlier) totalling 62,000 horsepower will be added to existing stations in this section of the line and four 1,200 horsepower diesel units at Edmonton will be retired.

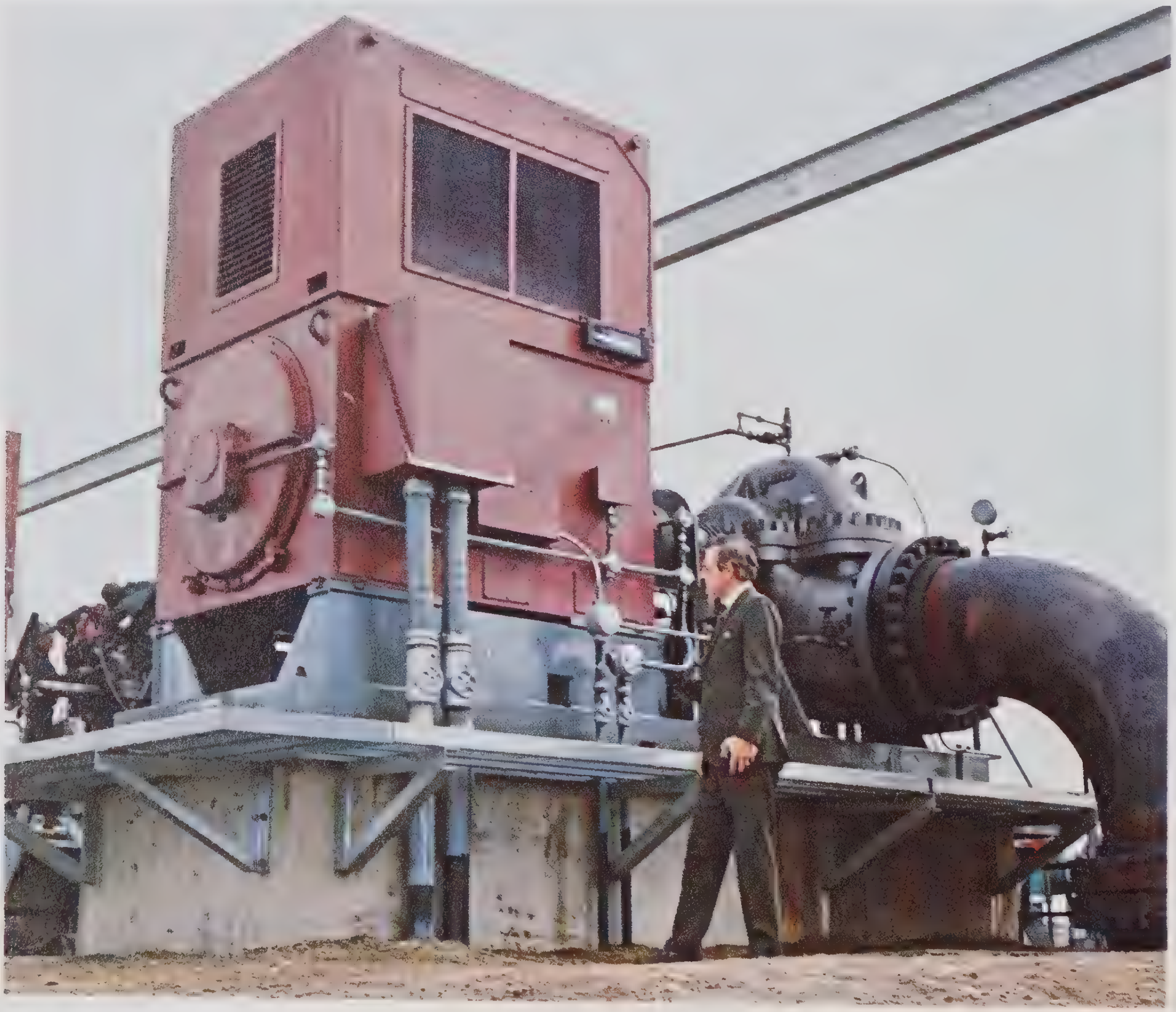
The capacity of the 34-inch line between Superior and Chicago will be increased from 655,000 b/d to 740,000 b/d by the installation of 18 electric units totalling 52,500 horsepower at ten locations.

The capacity of the line between Superior and Sarnia via the Straits of Mackinac will be slightly increased with the addition of 3 electric units totalling 7,500 horsepower at three locations.

The second line between Sarnia and Port Credit, Ontario will be completed as far as Oakville by the installation of 28 miles of 20-inch pipe. Four miles of 20-inch pipe in one loop, plus one 2,000 horsepower electric unit, will be installed on the Westover to Buffalo line. These additions will increase the capacity ex Sarnia by 35,000 b/d to 390,000 b/d.

Seven receiving and break-out tanks will also be erected throughout the system—one

A 5,000 horsepower electric pumping unit



390,000 and two 200,000 barrel tanks at Edmonton; one 120,000 barrel tank at Cromer; two 390,000 barrel tanks at Griffith; and one 150,000 barrel tank at Sarnia.

To improve safety standards for handling natural gas liquids and refined products, 37 mainline block valves will be installed on the No. 1 line between Edmonton and Superior and 18 of such valves will also be installed on the Northern 30-inch line between Superior and Sarnia. Certain station modifications will also be made.

Capacity

The annual average physical capacities of the various sections of the system that will be available for 1973 and 1974 operations are as follows:

Line Section	Thousands of Barrels per day 1973	1974
Edmonton-Regina	1,381	1,513
Regina-Cromer	1,357	1,466
Cromer-Gretna	1,435	1,555
Gretna-Superior	1,435	1,555
Superior-Sarnia via Straits of Mackinac	538	545
Superior-Chicago	655	740
Chicago-Sarnia	375	375
Sarnia-Port Credit	355	390
Westover-Buffalo	145	151

The above capacities assume that all required horsepower is fully operational at all times. However, with 342 pumping units now in operation at 66 different locations, upsets are inevitable and sustainable capacity is slightly less than the above figures.

General

Mr. J. W. Morgan resigned from the Board of Directors in May 1972 upon his retirement from Gulf Oil Canada Limited. Mr. L. P. Blaser, Senior Vice-President of Gulf was appointed to fill his unexpired term. In November, Mr. R. H. Reid, Vice-Chairman of the Board of London Life Insurance Company and a Director of the company since 1952, passed away. Both Mr. Morgan and Mr. Reid made important contributions to the success of the company, in their particular fields.

The directors and management take this opportunity to express their appreciation to all employees for the high level of performance maintained throughout the year.

On behalf of the Board of Directors

President

THE PIPE LINE TRANSPORTATION SYSTEM

(as at December 31, 1972)

	Canada	United States	Total
Miles of right-of-way	1,007	1,740	2,747
Miles of main line pipe	2,915	2,435	5,350
Number of pumping stations	28	38	66
Installed horsepower—diesel	42,720	96,335	139,055
—electric	409,450	296,150	705,600
Total	452,170	392,485	844,655
Line fill, in barrels, (provided by shippers)	9,837,000	10,899,000	20,736,000
Tankage capacity, in barrels	7,665,000	6,263,000	13,928,000
Separate streams transported			36

INTERPROVINCIAL PIPE LINE COMPANY and its United States Subsidiary
LAKEHEAD PIPE LINE COMPANY, INC.

LEGEND

SIZE IN INCHES	12	16	18	20	24	26	30	34	48		
LENGTH IN MILES	92	397	363	777	772	326	933	1,564	126	TOTAL	5,350
1973 LINE LOOPING				32					203		235

● PUMPING STATIONS ← DELIVERY LOCATION → RECEIVING LOCATION


ONTARIO
QUEBEC
WRENSHALL
ASHLAND
ST. PAUL
WISCONSIN
MICHIGAN
WEST BRANCH
STERLING
BAY CITY
SARNIA
MARYSVILLE
STOCKBRIDGE
TORONTO
PORT CREDIT
BUFFALO
NEW YORK
Kiantone P/L
WARREN
DETROIT
Buckeye P/L
TOLEDO
CYGNET
Tecumseh P/L
CHICAGO
GRIFFITH
ILLINOIS
INDIANA
OHIO
PENNSYLVANIA
PRUDHOE BAY
ATKINSON POINT
INUVIK
Great Bear Lake
NORTHWEST TERRITORIES
Yukon River
ALASKA
YUKON TERRITORY
Mackenzie River
Great Slave Lake
Lake Athabasca
Liard River
BRITISH COLUMBIA
Athabasca River
Peace River
ALBERTA
EDMONTON
GENERAL ROUTE OF MACKENZIE VALLEY PIPE LINE

CONSOLIDATED STATEMENT OF EARNINGS

	Year ended December 31 1972	1971
Income:		
Transportation revenue	$164,207,000	$144,393,000
Other income	1,689,000	2,871,000
	165,896,000	147,264,000
Expenses (Note 1):		
Operating and administrative	37,696,000	31,251,000
Property and other taxes	9,612,000	8,814,000
Provision for depreciation	19,674,000	18,115,000
Interest on long term debt	19,010,000	18,890,000
Foreign exchange	(873,000)	(862,000)
	85,119,000	76,208,000
Earnings before income taxes	80,777,000	71,056,000
Provision for income taxes (Note 1):		
Current	30,192,000	27,666,000
Deferred	9,613,000	8,065,000
Deferred investment tax credits	888,000	(315,000)
	40,693,000	35,416,000
Earnings for the year	$ 40,084,000	$ 35,640,000
Earnings per share (Note 1)	$1.57	$1.40

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended December 31 1972	1971
Balance at beginning of year	$ 87,490,000	$ 73,742,000
Earnings for the year	40,084,000	35,640,000
	127,574,000	109,382,000
Dividends paid—(per share: $0.94 - 1972; $0.86 - 1971)	23,976,000	21,892,000
Balance at end of year	$103,598,000	$ 87,490,000

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year ended December 31	
	1972	1971
Funds were provided from the following:		
Earnings for the year	$ 40,084,000	$ 35,640,000
Add—Charges (credits) to earnings not affecting working capital:		
Depreciation	19,674,000	18,115,000
Deferred income taxes	9,613,000	8,065,000
Deferred investment tax credits	888,000	(315,000)
Other	251,000	214,000
Funds provided from operations	70,510,000	61,719,000
Long term debt		
Debentures issued by Lakehead Pipe Line Company, Inc.	29,522,000	—
Capital stock issued	886,000	572,000
Sale of Redwater line	1,500,000	—
Other transactions	(229,000)	268,000
	102,189,000	62,559,000
Funds were expended for the following:		
Dividends paid	23,976,000	21,892,000
Additions to pipe line transportation system	66,022,000	44,783,000
Long term debt retired or included in current liabilities	11,659,000	28,550,000
Cost of issuing long term debt	421,000	—
	102,078,000	95,225,000
Change in working capital	111,000	(32,666,000)
Working capital (deficit) at beginning of year	(818,000)	31,848,000
Working capital (deficit) at end of year	$ (707,000)	$ (818,000)

CONSOLIDATED BALANCE SHEET

ASSETS

	December 31 1972	December 31 1971
Current assets:		
Cash	$ 654,000	$ 1,821,000
Term deposits with Canadian chartered banks	6,099,000	10,593,000
Short term investments, at cost which is equivalent to market	6,401,000	14,245,000
Accounts receivable—		
Transportation charges	15,986,000	11,377,000
Other	744,000	908,000
Inventory of materials and supplies, at cost	2,780,000	3,064,000
Prepaid expenses	833,000	437,000
	33,497,000	42,445,000
Other Assets and Deferred Charges:		
Unamortized discount and expense on long term debt (Note 1)	3,342,000	3,118,000
Other	460,000	87,000
	3,802,000	3,205,000
Pipe Line Transportation System, at cost (Notes 1 & 2)	708,688,000	646,172,000
Less—Accumulated depreciation	202,330,000	184,464,000
	506,358,000	461,708,000
	$543,657,000	$507,358,000

LIABILITIES

	December 31 1972	December 31 1971
Current Liabilities:		
Accounts payable	$ 7,713,000	$ 7,046,000
Interest accrued	3,311,000	3,300,000
Income and other taxes (Note 5)	12,951,000	9,315,000
Current portion of long term debt	10,229,000	23,602,000
	34,204,000	43,263,000
Long Term Debt (Note 3)	282,142,000	264,279,000
Deferred Income Taxes (Note 1)	66,486,000	56,873,000
Deferred Investment Tax Credits (Note 1)	10,189,000	9,301,000
Shareholders' Equity:		
Capital stock (Note 4)—		
Authorized—$100,000,000 divided into 100,000,000 shares, par value $1 each		
Issued—1972—25,526,985 shares	25,527,000	
—1971—25,475,585 shares		25,475,000
Contributed surplus—premium on shares (Note 4)	21,511,000	20,677,000
Retained earnings (Note 1)	103,598,000	87,490,000
	150,636,000	133,642,000
	$543,657,000	$507,358,000

Approved on Behalf of the Board:

W. H. REA, *Director*

D. G. WALDON, *Director*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Interprovincial Pipe Line Company and its wholly-owned subsidiaries. These are Interprovincial Pipe Line Patrol Company Limited in Canada and Lakehead Pipe Line Company, Inc., and its subsidiary, Pipe Line Service Company, Inc. in the United States.

Earnings of Lakehead are subject to a 15% U.S. withholding tax when paid as dividends to Interprovincial. It has not been considered necessary to provide for this tax on Lakehead's retained earnings of $41,963,000 U.S. at December 31, 1972 because they have been reinvested in that company.

FOREIGN EXCHANGE

United States dollar amounts have been translated into Canadian dollars on the following bases:

Current assets and liabilities—at the rate of exchange December 31;

Other assets and liabilities—at historical rates of exchange except for accumulated depreciation which is translated on the basis of equivalent Canadian dollar cost of the related fixed assets;

Income and expenses—at monthly rates of exchange except provision for depreciation which is translated on the same basis as the related fixed assets.

Net gains arising from the foregoing methods are shown on the Consolidated Statement of Earnings as Foreign exchange.

DISCOUNT AND EXPENSE ON LONG TERM DEBT

The balance of unamortized discount and expense is being amortized on the straight-line method over the life of the debt with adjustments as debt is retired. The amortization charge amounted to $197,000 for 1972.

PIPE LINE TRANSPORTATION SYSTEM AND DEPRECIATION

Expenditures for system expansion and major renewals and betterments are capitalized whereas maintenance and repair costs are charged to operating expenses as incurred.

The companies capitalize interest during the construction period on funds borrowed for additions to the pipe line transportation system. This amounted to $616,000 during 1972.

The companies provide for depreciation of fixed assets on the straight-line method, at annual rates which will amortize the cost of depreciable properties over their estimated service lives, after taking into account possible salvage values. The rate of depreciation on the pipe line transportation system averages approximately 3%.

When fixed assets are retired or otherwise disposed of, the cost and accumulated depreciation are cleared from the related accounts and any resultant profit or loss is credited or charged to accumulated depreciation, except for extraordinary disposals for which the profit or loss is included in earnings.

DEFERRED INCOME TAXES

Under Canadian and United States income tax regulations more depreciation may be deducted for tax purposes than the amount recorded in the accounts; also, during construction periods interest capitalized

and, in the United States, sales and property taxes capitalized, may be claimed for tax purposes in the year incurred. The companies are using the maximum deductions permitted for tax purposes which result in deferment of taxes to future years when amounts deductible will be less than the depreciation recorded in the accounts.

DEFERRED INVESTMENT TAX CREDITS

During the period 1962 through 1969 for investment tax credits and commencing again during 1971 for job development credits, the United States subsidiary companies are allowed credits against income taxes payable of a specified percentage of the cost of most depreciable assets acquired and placed into service. These credits have been deferred and are being taken into earnings over the tax life of the related assets for the investment tax credits and the book life of the related assets for the job development credits.

EARNINGS PER SHARE

Earnings per share are computed on the weighted average number of shares outstanding during the year. There would be no material dilution of earnings per share if the share purchase warrants and stock options had been exercised during the year.

PENSION PLANS

The companies have pension plans which cover substantially all employees. The principal amount of the unfunded liability for past service benefits was approximately $5,000,000 at December 31, 1971. This amount, together with interest, will be charged to earnings over a period of up to twenty years. Total costs of the plans in 1972 amounted to $1,007,000 of which $351,000 was applicable to past service benefits. The companies fund accrued pension costs.

2. PIPE LINE TRANSPORTATION SYSTEM: ACCUMULATED DEPRECIATION:

The pipe line transportation system and accumulated depreciation by major classes are as follows:

	Investment, at cost	Accumulated depreciation	Net investment December 31	
	December 31, 1972		1972	1971
	(in thousands of dollars)			
Land	$ 2,174		$ 2,174	$ 2,180
Rights-of-way	12,718	$ 3,052	9,666	10,114
Pipe line	502,676	152,298	350,378	324,375
Pumping equipment, buildings and tanks	175,986	46,980	129,006	123,843
Construction in progress	15,134	—	15,134	1,196
	$708,688	$202,330	$506,358	$461,708

It is estimated that 1973 capital expenditures will amount to approximately $106,000,000. These will be financed by additional borrowing, details of which have not yet been determined, and by funds generated within the companies.

3. LONG TERM DEBT:

	Originally issued	Outstanding December 31 1972	1971
	(in thousands of dollars)		
Interprovincial Pipe Line Company—			
First Mortgage and Collateral Trust Bonds—			
Series C—4% due April 1, 1973 (to be refinanced)	$60,000 U.S.	$ 11,944	$ 11,944
D—3⅝% due April 1, 1974	30,000 U.S.	5,932	8,276
E—5½% due April 1, 1985	12,000 Can.	9,746	10,210
Sinking Fund Debentures (unsecured)—			
Series A—6% due November 1, 1986	35,000 Can.	29,400	30,704
B—9⅜% due December 1, 1990	60,000 Can.	60,000	60,000
Bank Loan (unsecured)—			
Repayable: $5,000,000—1974; $10,000,000—1976		15,000	15,000
Lakehead Pipe Line Company, Inc.—			
Sinking Fund Debentures (guaranteed by Interprovincial)—			
Series A—6½% due August 1, 1992	30,000 U.S.	32,298	32,298
B—7⅛% due April 15, 1993	75,000 U.S.	80,754	80,754
C—7.60% due June 15, 1997	30,000 U.S.	29,522	—
Bank Loan (guaranteed by Interprovincial)—			
$7,000,000 U.S., repayable in 1974		7,546	15,093
		$282,142	$264,279

Interprovincial and Lakehead bank loans bear interest at ¾% and ½%, respectively, above applicable prime bank rates. Repayment of these loans may be accelerated at any time without penalty.

Principal repayments required on Long Term Debt for the years 1974 through 1977 are $20,343,000, $6,102,000, $20,625,000 and $10,699,000 respectively.

The First Mortgage and Collateral Trust Bonds of Interprovincial are secured by a charge on all assets of the company; no further Bonds may be issued.

4. CAPITAL STOCK:

Share purchase warrants were issued in 1966 with the Series A Sinking Fund Debentures. Each warrant entitles the holder to purchase one share of capital stock of the company for $17 on or before November 1, 1976. During 1972 warrants to purchase 23,550 shares were exercised for a total cash consideration of $401,000, leaving 845,425 share purchase warrants outstanding at December 31, 1972.

Under the Employee Incentive Stock Option Plan, 250,000 authorized shares of the capital stock have been reserved for issuance upon the exercise of stock options which may be granted to full-time employees at not less than 90% of market value of the shares on the day that an option is granted. Options may be granted for a term not exceeding ten years and are exercisable only after one year of employment

from date of grant. During 1972 options for 27,850 shares were exercised for a total cash consideration of $485,000 and no options were granted. At December 31, 1972 options were outstanding as follows:

Exercisable on or before April 8, 1979 at $17 per share	39,500 shares
Exercisable on or before April 7, 1980 at $20.50 per share	45,000 shares
Exercisable on or before April 13, 1981 at $25.80 per share	52,000 shares
	136,500 shares

Outstanding options include 21,500 shares to officers, including the one director who is a full-time employee. At year end 52,500 shares were available for future grants.

Cash received from the exercising of share purchase warrants and stock options was credited to Capital stock to the extent of $1 par value for each share issued and the remainder of $834,000 was credited to Contributed surplus.

5. MICHIGAN FRANCHISE TAX:

The State of Michigan has issued assessments against Lakehead for franchise tax for the years 1957 through 1972. This tax imposes an annual fee upon all corporations for the privilege of doing business in Michigan. Counsel has advised that the assessments are unconstitutional when imposed on corporations engaged solely in interstate and foreign commerce. Lakehead has commenced litigation against the State of Michigan to have the assessments set aside.

Pending determination of the issue, the company has been providing annually for the tax and interest involved which amount to $2,604,000 at December 31, 1972 of which $287,000 was provided in the current year. The tax and interest will be deductible for income tax purposes at the time any assessments are paid and accordingly the tax effect has been included in Deferred Income Taxes.

6. REMUNERATION OF DIRECTORS AND OFFICERS:

In 1972 aggregate remuneration of twelve directors, one of whom is not paid as a director, was $31,000. Aggregate remuneration of four officers, two of whom are directors including one who is not paid as an officer, was $122,000. None of the directors or officers has received remuneration from any of the company's subsidiaries.

AUDITORS' REPORT

To the Shareholders of
INTERPROVINCIAL PIPE LINE COMPANY:

We have examined the consolidated balance sheet of Interprovincial Pipe Line Company and subsidiary companies as at December 31, 1972 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Edmonton, Alberta
February 8, 1973

PRICE WATERHOUSE & CO
Chartered Accountants.

Interprovincial Pipe Line Company
and subsidiary companies

TEN YEAR REVIEW

	1972
FINANCIAL (in thousands of dollars except per share amounts)	
Income —Transportation revenue	$ 164,207
—Other income	$ 1,689
Expenses —Operating and administrative	$ 36,823
—Property and other taxes	$ 9,612
—Depreciation	$ 19,674
—Interest	$ 19,010
Income taxes	$ 40,693
Earnings	$ 40,084
per share, weighted average	$ 1.57
Dividends paid	$ 23,976
per share	$ 0.94
percentage of earnings	60%
Working capital (deficit)	$ (707)
Funds provided from operations	$ 70,510
Additions to pipe line system	$ 66,022
Investment in pipe line system (cost)	$ 708,688
Long term debt	$ 282,142
STATISTICAL	
Shares outstanding at year end (thousands)	25,527
Percentage of shares registered in Canada	94%
Shareholders at year end	18,864
Number of employees at year end	706
Investment in pipe line system, per employee	$1,004,000
Receipts (b/d) —Alberta	877,474
—Saskatchewan	217,768
—Manitoba	14,931
—Ontario	3,196
—United States	8,440
	1,121,809
Deliveries (b/d)	
Canada —Western Canada	115,939
—Ontario	414,305
	530,244
United States —Minnesota-Wisconsin	175,534
—Illinois-Indiana	145,397
—Michigan-Ohio	142,973
—New York-Pennsylvania	121,365
	585,269
	1,115,513
Barrel miles (millions)	573,456
Average mileage per barrel delivered	1,405
Average transportation revenue—per barrel	40.2¢
—per 100 barrel miles	2.86¢

1971	1970	1969	1968	1967	1966	1965	1964	1963
144,393	133,707	114,465	105,532	92,893	87,787	79,718	74,668	69,636
2,871	1,643	994	1,049	1,548	1,219	574	315	363
30,389	27,350	25,894	25,796	22,703	19,687	16,263	14,546	13,543
8,814	9,643	8,338	5,789	4,636	4,292	4,098	4,241	3,646
18,115	17,519	16,070	13,677	12,683	12,346	10,431	10,174	9,547
18,890	18,810	13,898	8,608	5,697	4,274	4,006	4,037	4,277
35,416	32,531	26,833	29,377	26,197	25,884	25,157	22,783	21,206
35,640	29,497	24,426	23,334	22,525	22,523	20,337	19,202	17,780
1.40	1.16	0.96	0.92	0.89	0.89	0.80	0.75	0.70
21,892	20,352	18,316	18,316	18,315	18,314	17,551	16,787	15,755
0.86	0.80	0.72	0.72	0.72	0.72	0.69	0.66	0.62
61%	69%	75%	78%	81%	81%	86%	87%	89%
(818)	31,848	(10,490)	(14,122)	(10,277)	24,409	(12,177)	(18,572)	(16,057)
61,719	52,825	49,137	45,864	39,053	35,286	32,648	30,989	30,443
44,783	17,795	70,595	114,189	76,721	4,513	11,172	7,661	23,453
646,172	602,312	587,340	518,799	405,657	334,507	330,676	320,023	312,670
264,279	292,829	265,184	223,470	141,191	119,087	93,663	90,992	100,073
25,476	25,443	25,439	25,439	25,439	25,436	25,436	25,436	25,415
93%	93%	92%	91%	90%	89%	88%	88%	87%
19,576	21,066	21,996	21,486	18,321	16,290	15,521	14,127	12,757
677	641	603	562	621	599	589	592	598
954,000	940,000	974,000	923,000	653,000	558,000	561,000	541,000	523,000
743,411	659,382	542,093	475,437	386,331	340,263	313,923	271,366	271,610
217,034	224,890	225,755	236,613	239,466	245,435	228,777	216,250	190,281
15,575	16,452	17,489	17,524	15,863	14,812	14,110	12,608	10,887
2,751	817	550	205	—	—	—	—	—
3,228	2,579	—	—	3,502	6,836	4,903	4,487	4,178
981,999	904,120	785,887	729,779	645,162	607,346	561,713	504,711	476,956
116,163	116,386	111,504	106,832	107,050	106,817	106,118	90,313	88,176
390,798	380,570	351,270	338,624	317,969	320,145	308,226	285,556	267,903
506,961	496,956	462,774	445,456	425,019	426,962	414,344	375,869	356,079
159,142	142,686	135,451	116,196	97,371	94,054	85,318	75,990	63,587
89,309	49,836	—	—	—	—	—	—	—
120,098	121,822	105,540	96,847	60,344	44,159	31,862	30,596	34,178
101,840	89,619	72,206	58,228	54,556	39,769	26,521	21,512	16,738
470,389	403,963	313,197	271,271	212,271	177,982	143,701	128,098	114,503
977,350	900,919	775,971	716,727	637,290	604,944	558,045	503,967	470,582
488,862	444,318	366,287	337,978	289,691	267,354	241,264	221,691	207,724
1,370	1,351	1,293	1,288	1,245	1,211	1,184	1,202	1,209
40.5¢	40.7¢	40.4¢	40.2¢	39.9¢	39.8¢	39.1¢	40.5¢	40.5¢
2.95¢	3.01¢	3.13¢	3.12¢	3.21¢	3.28¢	3.30¢	3.37¢	3.35¢

PRINTED IN CANA

APRIL 1, 1972

SVE

INTERPROVINCIAL PIPE LINE COMPANY

LAKEHEAD PIPE LINE COMPANY, INC.

GENERAL INFORMATION BOOKLET

April 1, 1972

INTERPROVINCIAL PIPE LINE COMPANY

Interprovincial Pipe Line Company and its wholly owned subsidiary, Lakehead Pipe Line Company, Inc., own and operate the largest crude oil pipe line system in the Western Hemisphere — a 1,900 mile line stretching from Edmonton, Alberta, to Port Credit, Ontario, just west of Toronto.

The system consists of three parallel lines from Edmonton to Superior; two lines from Superior to Sarnia, Ontario--one via the Straits of Mackinac and one via Chicago; and one line with 111 miles of loop from Sarnia to Port Credit, Ontario with a branch line with 46 miles of loop to Buffalo, New York.

The Company operates as a common carrier and is engaged in the transportation of crude oil and other liquid hydrocarbons at established tariffs.

HISTORY

Interprovincial Pipe Line Company was incorporated by a special act of the Parliament of Canada in 1949. Lakehead Pipe Line Company, Inc., was incorporated in the United States in the same year.

In 1950, the Company constructed a large diameter pipe line from Edmonton to Superior. This line, with an extension to Redwater, was 1,128 miles long and was in operation by December, 1950.

Additional construction of loop lines, extensions of the main line, stations, tankage or other facilities has taken place each year since 1950.

SYSTEM HIGHLIGHTS

1950 -- Original line from Edmonton to Superior, plus a leg from Redwater to Edmonton completed in a record 150 days. Total length 1,128 miles.

1953 -- Line extended from Superior to Sarnia, via Straits of Mackinac, with 30-inch pipe. In addition, 134 miles of 24-inch pipe completed between Regina and Gretna.

1957 -- System extended from Sarnia to Port Credit, near Toronto, involving construction of 156 miles of 20-inch pipe. In addition looping completed between Regina and Superior, giving the system a complete second line on this section.

1958 -- Second line completed between Edmonton and Regina with addition of 82 more miles of 24-inch pipe. This completed the second line between Edmonton and Superior.

1962 -- First of 34-inch pipe added between Clearbrook and Deer River, in Minnesota, with 39 miles of line looping.

1963 -- Lateral 12-inch, 92-mile line to Buffalo completed in late spring. The 34-inch looping program continued, with 166 miles of pipe added -- 41 miles in Manitoba and 125 miles in Minnesota.

1966 -- Work begun on a $4,700,000 modernization program, to include electrification of pumping stations in Manitoba and remote control of the system between Edmonton and Superior. Line-looping on this section continued.

1968 -- A 466-mile extension to the Chicago area constructed with 34-inch pipe as the first leg of a loop around Lake Michigan from Superior to Sarnia. 34-inch line-looping continued.

1969 -- Two major pipe laying projects completed: Chicago loop completed with addition of a 293-mile, 30-inch extension from Griffith, Indiana to Sarnia, Ontario. The 34-inch line completed between Edmonton and Superior giving the company three complete lines between these points.

1970 -- Twenty miles of 20-inch loops built between Sarnia and Port Credit, giving Interprovincial a total of 76 miles of second line between these two points. Station Horsepower increased by 59,025 h.p. (net) with the addition of two new pumping stations at Sheldon and Walworth, Wisconsin and the addition of 26 new units at 22 existing stations. One other unit moved from Vanderbilt, Mich., to Viking, Minn. Tankage increased with erection of two 290,000-barrel tanks at Edmonton and one 217,000-barrel tank at Griffith.

1971 -- Thirty-five miles of 20-inch loops between Sarnia and Port Credit, providing a total of 111 miles of second line between these points. Forty-six miles of 20-inch loops added on lateral line from Westover, Ontario, to Buffalo, N.Y. Station horsepower increased by 234,750 h.p. (net) with the addition of 18 new pumping stations and 31 new units at 28 existing pumping stations. Tankage increased with the erection of two 290,000-barrel tanks at Edmonton terminal, two 217,000-barrel tanks at Superior, two 217,000-barrel tanks at Griffith and two 150,000-barrel tanks at Sarnia.

RESUME OF PLANNED CONSTRUCTION FOR 1972

Main Line Additions -- A total of 124 miles of 48-inch loops to be constructed on the existing 34-inch line between Edmonton and Superior.

Eighteen miles of 20-inch loops to be added on the lateral line that runs from Westover, Ontario to Buffalo N.Y.

Station Horsepower -- One new pumping station to be built at Howell, Michigan, where two 2,500 h.p. electric units will be installed.

Two additional 2,500 h.p. electric units each at the stations of Sheldon and Vesper, Wisconsin.

Single 5,000 h.p. units to be added at each of the following stations between Edmonton and Superior: Edmonton, Kingman, Strome, Hardisty and Metiskow, in Alberta; Cactus Lake, Kerrobert, Herschel, Milden, Loreburn, Craik, Bethune, Regina, Odessa, Glenavon and Langbank, Saskatchewan; Glenboro, St. Leon and Gretna, Manitoba; Viking, Plummer, Clearbrook and Deer River, Minnesota.

Tankage -- Two 390,000-barrel tanks to be built at Edmonton, two 80,000-barrel tanks at Clearbrook, two 390,000-barrel tanks at Superior and two 217,000-barrel tanks at Griffith, all with floating roofs.

Conversion of four cone-roof tanks to floating roofs at Edmonton as part of the environmental control program.

Note: In March, 1972 the line from Redwater to Edmonton and facilities at Redwater were sold to Imperial Pipe Line Company.

SYSTEM HIGHLIGHTS (1971 Construction Included)

Mileage

1098	Line 1 - Edmonton to Superior (16"-18")
1098	Line 2 - Edmonton to Superior (24"-26")
1098	Line 3 - Edmonton to Superior (34")
644	North Line (Straits of Mackinac) Superior to Sarnia (30")
759	South Line (via Chicago) Superior to Sarnia (30"-34")
156	Sarnia to Port Credit (20")
92	Westover to Buffalo (12")
100	Loop between Regina and Gretna (16")
111	Loop between Sarnia and Port Credit (20")
46	Loop between Westover and Buffalo (20")
4	Second Line - Straits of Mackinac crossing (20")
5206	

Line Fill

It takes approximately 19,200,000 barrels of oil to fill the 5,206 miles of main line pipe.

Pumping Stations

There are 65 pumping stations located at Edmonton, Kingman, Strome, Hardisty, Metiskow, (Alberta); Cactus Lake, Kerrobert, Herschel, Milden, Loreburn, Craik, Bethune, Regina, Odessa, Glenavon, Langbank, (Saskatchewan); Cromer, Souris, Glenboro, St. Leon, Manitou, Gretna, (Manitoba); Donaldson, Viking, Plummer, Clearbrook, Deer River, Floodwood, (Minnesota); Superior, Minong, Edgewater, Sheldon, Owen, Vesper, Adams, Rio, Cambridge, Walworth, (Wisconsin); Dundee, Lockport, (Illinois); Griffith, (Indiana); Niles, Marshall, (Michigan); Ino, Saxon, (Wisconsin); Gogebic, Iron River, Rapid River, Manistique, Gould City, Mackinaw, Indian River, Lewiston, West Branch, Bay City, North Branch, (Michigan); Sarnia, Keyser, Bryanston, Wolverton, Westover, Smithville, (Ontario); Tonawanda, Williamsville, (New York). Total pumping horsepower, including 1971 additions is 719,205 for 1972 operations.

Tankage

The company has in operation a total of 101 working tanks at various locations along the line, (see map legend) holding a total of 11,950,000 barrels of oil. These tanks range in size from 14,000 to 390,000 barrels capacity and are used to facilitate movement of the batches.

Corporate Structure

The Interprovincial-Lakehead pipe line system is divided into three divisions and seven operating districts. Western Division extends from Edmonton, Alberta to

Corporate Structure (continued)

Gretna, on the International border between Manitoba and North Dakota, and is comprised of two districts. Central Division which lies entirely in the United States and is incorporated there as Lakehead Pipe Line Company, Inc., is comprised of four districts. Eastern Division lies in Ontario and has one operating district. The district headquarters are at Edmonton, Alberta; Regina, Saskatchewan; Bemidji, Minnesota; Manistique, Michigan; Fort Atkinson, Wisconsin; Bay City, Michigan;and Sarnia, Ontario.

Employees

About 670 employees--approximately 270 with Lakehead Pipe Line Company, Inc. and 400 with Interprovincial Pipe Line Company.

Investments

As of December 31, 1971 the total investment in plant and equipment was $646,127,000. This is almost one million dollars per employee.

Capacity

Upon completion of the 1971 construction program the annual average physical capacity of the various sections of the pipe line system were as follows:

Edmonton - Regina	1,251,000 bbls. per day
Regina - Cromer	1,236,000 bbls. per day
Cromer - Gretna	1,308,000 bbls. per day
Gretna - Superior	1,308,000 bbls. per day
Superior - Sarnia (via Straits of Mackinac)	538,000 bbls. per day
Superior - Chicago	621,000 bbls. per day
Chicago - Sarnia	330,000 bbls. per day
Sarnia - Port Credit	355,000 bbls. per day
Westover - Buffalo	133,000 bbls. per day

Operation

The system transported 356.7 million barrels of oil in 1971, which averaged 977,350 barrels per day. In December 1971, deliveries averaged 1,071,613 barrels per day, the highest rate for one month in the company's history.

The Interprovincial system is connected with the following gathering and/or transmission pipe lines and receives deliveries from them at the points indicated.

Edmonton, Alberta

1. Gulf Alberta Pipe Line Company Limited
2. Federated Pipe Lines Ltd.
3. The Imperial Pipe Line Company, Limited (North-Redwater)
4. The Imperial Pipe Line Company, Limited (South-Leduc)
5. Peace River Oil Pipe Line Co. Ltd.

Edmonton, Alberta (continued)	6.	Gulf Oil Canada Limited Refinery
	7.	Pembina Pipe Line Ltd.
	8.	Nisku Products Pipe Line Co. Ltd.
	9.	Rimbey Pipeline Co. Ltd.
	10.	Texaco Exploration Canada Limited
	11.	Great Canadian Oil Sands Ltd.
	12.	Gibson Petroleum Company Limited
	13.	Rainbow Pipe Line Company Ltd.
	14.	Dome Petroleum Limited
	15.	Canadian Industrial Gas & Oil Ltd.
Hardisty, Alberta		
	16.	Gibson Petroleum Company Limited
	17.	Husky Pipeline Ltd.
	18.	Bow River Pipe Lines Ltd.
	19.	Hardisty Storage Pipe Line Co.
	20.	Chauvin Pipe Line Co. Ltd.
Kerrobert, Saskatchewan		
	21.	Mid-Saskatchewan Pipe Lines Ltd.
	22.	Murphy Oil Company Ltd.
	23.	Dome Petroleum Limited
Regina, Saskatchewan		
	24.	South Saskatchewan
	25.	Imperial Oil Limited Refinery
Cromer, Manitoba		
	26.	Trans-Prairie Pipelines Ltd.
	27.	Westspur Pipe Line Company
Griffith, Indiana		
	28.	Tecumseh Pipe Line Co.
Sarnia, Ontario		
	29.	Canada-Cities Service,Ltd.
	30.	Dome Petroleum Limited

The system is connected with the following pipe lines and delivers crude oil or products to them at points indicated.

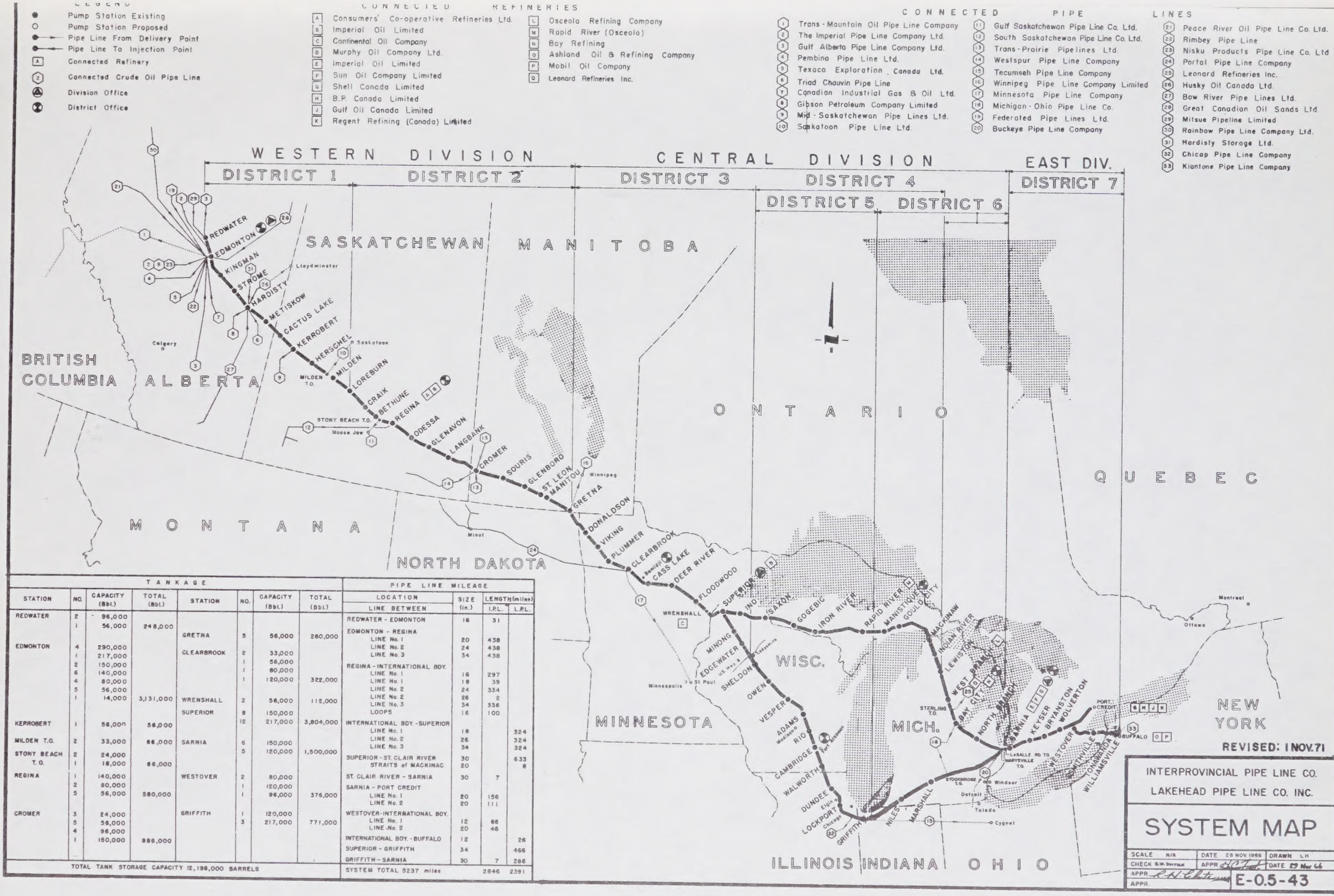
Trans Mountain Oil Pipe Line Co.	Edmonton, Alberta
Husky Pipeline Ltd.	Hardisty, Alberta
Murphy Oil Company Ltd.	Kerrobert, Saskatchewan
Saskatoon Pipe Line Ltd.	Milden, Saskatchewan
Gulf (Saskatchewan) Pipe Line Ltd.	Stony Beach, Saskatchewan
Winnipeg Pipe Line Co. Ltd.	Gretna, Manitoba
Minnesota Pipe Line Co.	Clearbrook, Minnesota
Bay Pipe Line Corp.	Bay City, Michigan
Michigan-Ohio Pipe Line Co.	Sterling and Stockbridge, Mich.
Buckeye Pipe Line Co.	Port Huron, Mich. & Griffith, Ind.
Chicap Pipe Line Co.	Mokena, Illinois
Tecumseh Pipe Line Co.	Griffith, Indiana
Service Pipe Line Co.	Griffith, Indiana
Kiantone Pipeline Corporation	Buffalo, New York

The Interprovincial system either directly or in conjunction with its connecting carriers transports Western Canadian crude oil to refineries at:

Edmonton, Alberta
Moose Jaw & Regina, Saskatchewan
Winnipeg, Manitoba
St. Paul-Minneapolis area and Wrenshall, Minnesota
Superior, Wisconsin
West Branch, Alma, Bay City, Trenton, Carson City & Detroit, Michigan
Toledo & Canton, Ohio
Warren, Pennsylvania
Fort Wayne & Laketon, Indiana
Chicago Area
Sarnia, Clarkson, Oakville & Port Credit, Ontario
Buffalo, New York

Interprovincial Pipe Line Company
P.O. Box 398
Edmonton, Alberta

April 1, 1972



TANKAGE

STATION	NO.	CAPACITY (Bbl.)	TOTAL (Bbl.)	STATION	NO.	CAPACITY (Bbl.)	TOTAL (Bbl.)
REDWATER	2	96,000					
	1	56,000	248,000				
				GRETNA	5	56,000	280,000
EDMONTON	4	290,000					
	1	217,000		CLEARBROOK	2	33,000	
	2	150,000			1	56,000	
	6	140,000			1	80,000	
	4	80,000			1	120,000	322,000
	5	56,000					
	1	14,000	3,131,000	WRENSHALL	2	56,000	112,000
				SUPERIOR	8	150,000	
					12	217,000	3,804,000
KERROBERT	1	56,000	56,000				
MILDEN T.O.	2	33,000	66,000	SARNIA	6	150,000	
					5	120,000	1,500,000
STONY BEACH T.O.	2	24,000					
	1	18,000	66,000				
REGINA	1	140,000		WESTOVER	2	80,000	
	2	80,000			1	120,000	
	5	56,000	580,000		1	96,000	376,000
CROMER	3	24,000		GRIFFITH	1	120,000	
	5	56,000			3	217,000	771,000
	4	96,000					
	1	150,000	886,000				

TOTAL TANK STORAGE CAPACITY 12,198,000 BARRELS

PIPE LINE MILEAGE

LOCATION: LINE BETWEEN	SIZE (in.)	LENGTH (miles) I.P.L.	LENGTH (miles) L.P.L.
REDWATER - EDMONTON	16	31	
EDMONTON - REGINA			
LINE No. 1	20	438	
LINE No. 2	24	438	
LINE No. 3	34	438	
REGINA - INTERNATIONAL BDY.			
LINE No. 1	16	297	
LINE No. 1	18	39	
LINE No. 2	24	334	
LINE No. 2	26	2	
LINE No. 3	34	336	
LOOPS	16	100	
INTERNATIONAL BDY. - SUPERIOR			
LINE No. 1	18		324
LINE No. 2	26		324
LINE No. 3	34		324
SUPERIOR - ST. CLAIR RIVER	30		633
STRAITS of MACKINAC	20		8
ST. CLAIR RIVER - SARNIA	30	7	
SARNIA - PORT CREDIT			
LINE No. 1	20	156	
LINE No. 2	20	111	
WESTOVER - INTERNATIONAL BDY.			
LINE No. 1	12	66	
LINE No. 2	20	46	
INTERNATIONAL BDY. - BUFFALO	12		26
SUPERIOR - GRIFFITH	34		466
GRIFFITH - SARNIA	30	7	286
SYSTEM TOTAL 5237 miles		2846	2391